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# PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1998-1999

## UNITED NATIONS REFORM: MEASURES AND PROPOSALS

## Reduction and refocusing of non-programme costs

## Eleventh report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General of 22 December 1997 on reduction and refocusing of non-programme costs (A/52/758), which was requested by the Advisory Committee in its first report on the proposed programme budget for the biennium 1998-1999,[1] as endorsed by the General Assembly in its resolution 52/220 of 22 December 1997. During its consideration of the report, the Committee met with the Under-Secretary-General for the Department of Management and other representatives of the Secretary-General.

2. As indicated in paragraph 3 of his report, the Secretary-General, in response to General Assembly resolution 52/12 B of 19 December 1997, is required to submit a further detailed report on the development account by the end of March 1998 identifying the sustainability of that initiative, as well as the modalities of implementation, the specific purposes and associated performance criteria for the use of such resources.

3. With respect to the report under consideration, the Advisory Committee recalls that, in its first report,[2] in particular paragraph 30 (c), it indicated that the proposal for one-third reduction in administrative expenses, as put forward in three related reports of the Secretary-General (A/51/829, A/51/873 and A/51/950), needed to be followed by a detailed report, which would:

(a) Define administrative expenses and "non-programme" costs;

(b) Back up with a sound technical justification the assertion that those expenses comprised 38 per cent of the budget;

(c) Indicate a concrete plan and timetable for the phasing-in of that reduction each year until the end of 2001;

(d) Indicate measures to be taken to effect the reduction, for example, streamlining, merging of Secretariat units and simplification of processes;

(e) Indicate the impact of such a reduction on support and other services to programmes and to United Nations operations and how it could be ensured that they would not have adverse effect on the control and oversight capacity of United Nations bodies;

(f) Describe the procedures that would be put in place to redeploy savings and to determine how such savings would be spent.

Definition of "non-programme" costs and determination of non-programme costs as a percentage of the budget

4. In the opinion of the Advisory Committee, the report of the Secretary-General of 22 December 1997 (A/52/758) is flawed by the lack of a clear concept of what constitutes the nature of the activities funded by the regular budget. In the first place, the very concept of "non-programme" is not applicable in the United Nations regular budget context since regulation 5.5 of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation states that "all activities for which resources are requested in the proposed programme budget shall be programmed". Furthermore, it must be pointed out that the activities funded by the regular budget are, in large part, service-oriented. Seen in that context, the labelling of a number of the activities mentioned in paragraph 10 of the Secretary-General's report seems difficult to justify.

5. Even if one accepts the definitions of "programme/non-programme" costs put forward in the report of the Secretary-General, the methodology for calculating that they represent 38 per cent of the programme budget appears seriously flawed. The computation base of $2,230.4 million is derived from the total proposed programme budget for the biennium 1996-1997 of $2,687.1 million. The Committee recalls, however, that the total level of expenditure for 1996-1997 as approved by the General Assembly in its resolutions 50/214 and 50/215 of 23 December 1995 was $2,608 million. Moreover, the Advisory Committee discovered that even though expenditure for maintenance/construction and special expenses was deducted from the computation base (see ibid., para. 16), elements for administrative support related to that expenditure were used against the reduced base to derive the overall percentage of non-programme costs; this is technically unsound.

6. Compounding the difficulties of an unworkable definition of non-programme costs and a faulty computation base is the arbitrariness of the assumptions used to compute the non-programme costs. This is exemplified by the treatment of the costs of conference services and public information in paragraphs 13, 14 and 36 to 40 of the Secretary-General's report. Together, these alone account for in excess of 50 per cent of the savings projected in the report. With regard to conference services, it is assumed that some 25 per cent of conference services is devoted to non-programme entities, mostly in the administrative sector,

principally at Headquarters, for a number of United Nations bodies dealing with administrative matters (the Fifth Committee, the Pension Board, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission, the Board of Auditors, etc.) (ibid., para. 13). However, the report fails to provide a technical justification for the 25 per cent figure. Given the service-oriented nature of much of the Organization's activities funded from the regular budget (see para. 4 above), the Advisory Committee remains to be convinced that the percentage arrived at is anything but an arbitrary choice. Moreover, for the purpose of the study, it is also assumed that the share of conference services attributable to non-programme costs remains at 25 per cent throughout the exercise (see A/52/758, table 1), even though the totality of the non-programme aspect of conference service costs will presumably shrink during the course of the exercise.

7. With regard to public information, the assumptions appear also to be without technical basis. In paragraphs 14 and 40 of the Secretary-General's report, it is indicated that, based on the analysis of current functions, 100 per cent of Office costs are included as non-programme costs, and that to reduce non-programme costs, resources of the Office of Communication and Public Information are expected to be redeployed gradually towards substantive programmes. No convincing explanation is made for this shift. The Advisory Committee points out that the programme of work of the former Department of Public Information is, to a large extent, in support of an informed understanding of the objectives and programmes of the United Nations, including its substantive activities; therefore, the assumption that the Department's activities are non-programme is not tenable. In this connection, the Advisory Committee recalls the statement of the Secretary-General in his report of 10 October 1997 on questions relating to information (A/52/455, para. 8) that:

> "This reflects the importance that I attach to the role of communications, not as a support function but as an integral part of the substantive programme of the United Nations."

Nevertheless, if a further refocusing of the United Nations public information activities seems desirable, such an exercise should be carried out separate from that relating to identification of potential savings that may arise from the introduction of efficiency measures in various areas of the operations of the Secretariat.

8. The Advisory Committee concludes that, because of the difficulties described above, a case has not been made that administrative expenditures constitute 38 per cent of the programme budget, nor has it been demonstrated that a one-third reduction in administrative expenditures will yield cumulative savings of $195 million. Furthermore, even if one were to accept the concepts and methodology in the report of the Secretary-General of 22 December 1997 (A/52/758), the target of $195 million cannot be achieved since the approved budget for the biennium 1998-1999, like the approved budget for 1996-1997 (see para. 5 above), is less than that indicated in the Secretary-General's report.

9. In this connection, it is important to bear in mind that staff costs account for approximately 70 to 80 per cent of the United Nations regular budget; as borne out by recent experience, savings of the magnitude referred to

in the Secretary-General's report would inevitably affect hundreds of posts. The next question to be addressed therefore is whether the efficiency measures contemplated in the report will be sufficient to allow for the release and redeployment of posts and resources in the magnitude projected by the report under consideration.

Efficiency measures and their impact

10. The Advisory Committee welcomes greater efficiency. As stated in paragraph 13 of chapter I of its first report on the proposed programme budget for the biennium 1998-1999,[2] the Advisory Committee has continually demonstrated its concern for greater efficiency and the streamlining and reform necessary to achieve that goal. However, it finds that the measures described in paragraphs 18 to 34 of the Secretary-General's report are not sufficiently detailed or specific enough to be responsive to the requests made in paragraph 30 (c) (iv) and (v) of its first report. Moreover, the measures envisaged for the future should have been clearly delineated vis-à-vis those already included in the proposed programme budget for the biennium 1998-1999.

11. There are other problems as well. For example, the Committee notes from paragraph 39 and table 2 of the report that savings attributable to conference services of $35.5 and $28.0 million are contemplated in the reductions of non-programme costs for the bienniums 2000-2001 and 2002-2003, respectively. The explanations provided in paragraphs 36 to 38 of the report, however, do not support those projections. It is indicated, for instance, that the 25 per cent reduction in documentation that the Secretariat is expected to achieve by the end of 1998 will not directly translate into major savings in conference services (A/52/758, para. 38). It is also mentioned that cost reductions will depend on the level of activity of administrative and financial bodies and that economies are also expected from technological advances and improvements to procedures (ibid., para. 37). However, no satisfactory explanations or performance indicators are provided in support of those targets, such as, for example, on the number of projected meetings during the next two bienniums and the expected cost per meeting, as well as savings that may be realized in the more costly functions such as editing and translation.

12. Related to the issues of savings in conference services, in paragraph 43 and table 2 of the Secretary-General's report, it is indicated that the periodicity and the length of intergovernmental meetings in the administrative and financial areas and the required documentation have been increasing. If such costs are reduced, it is estimated that savings of some $22 million as a contribution from Member States would be realized during the next two bienniums (ibid., paras. 42 and 43). The Advisory Committee did not receive any satisfactory explanation as to the basis for the estimate. Moreover, it appears that an element of the $22 million seems to have already been taken into account in the calculation of other savings under conference services.

13. Furthermore, the projection for conference services under programme costs in table 1 of the report is also difficult to understand. The costs of conference services under programme costs are projected to decline from $384.8 million in the proposed budget for the biennium 1996-1997 to $315 million in 2002-2003, or 18 per cent. However, in paragraph 37 of the report it is

indicated that if the additional resources to be made available for programme activities in the economic and social fields are used to increase traditional programme outputs - meetings and reports - there will be a resulting increase in the workload for conference services.

14. The Committee believes that efforts to simplify and streamline systems and procedures, such as the general statements of intent outlined in paragraphs 18 to 34 of the Secretary-General's report, should continue to be pursued, as these will have a positive impact on the efficiency of all the activities of the Secretariat. These, in turn, may lead to savings in all sections of the programme budget, in particular if the efficiency measures are accompanied by enhancements to the Organizations's computer-based information systems, as well as frequent and intensive staff training. The Committee believes, however, that with respect to changes in the financial and staff regulations and rules, the matter must be handled with care, so as to maintain the required level of financial and administrative controls in the Organization. Other changes in systems and procedures mentioned in paragraphs 20 to 27 of the report should be clearly delineated, indicating what has been accomplished and what will be accomplished in each biennial period and what savings have actually materialized as a result. Moreover, with respect to recovery of costs for services rendered to extrabudgetary activities (ibid., paras. 28-30), in the Committee's opinion this could also be extended to non-governmental organizations and funds and programmes of the United Nations.[3]

15. The Committee cautions that steps should be taken to ensure that savings in the administrative and managerial operations of the Secretariat do not impair the capacity of the Organization to render mandated services in those areas. The Committee has previously indicated that a true saving from the introduction of efficiency measures is achieved if costs are reduced while the level and quality of services is maintained or further improved.[4]

How to proceed

16. As is evident from the paragraphs above, the report of the Secretary-General (A/52/758) does not provide a workable basis upon which to proceed with the implementation of measures to redeploy efficiency savings to a development account as endorsed by the General Assembly. An obvious next step would be to request the submission of another report. However, at this stage, the more practical way to proceed toward reaching the objectives of reform - a more efficient and productive United Nations - would be to set aside a preoccupation with concept and theory (including what constitutes programme and non-programme costs) and to concentrate on the procedure to elicit specific new measures to increase the efficiency of the United Nations and to confirm the results arising out of the implementation of new measures as well as those initiated prior to the current exercise.

17. In the annex to the present report, the Advisory Committee recommends a timetable for a phased implementation of plans for greater efficiency and the redeployment of related savings to the development account. As can be seen from the plan outlined in the annex, the Secretariat would have to proceed on the basis of specific proposed initiatives about which Member States would be informed in advance. In order to avoid the confusion that has characterized

previous exercises,[4] the actual results of efficiency initiatives should be indicated to the satisfaction of the General Assembly before the related savings could be approved for redeployment.

18. In this connection, it is important to bear in mind that, consistent with paragraph 24 of General Assembly resolution 52/12 B, this is not a budget reduction exercise but one of redeployment. The total budgetary amount and related assessments would remain the same both before and after the redeployment. Proposals related to efficiency measures should form a distinct part of the performance report and be treated separately from information on changes related to currency fluctuation and inflation. Thus, savings from currency fluctuations and the effects of inflation would not be available for transfer to the development account, nor would losses result in a reduction of amounts otherwise available through efficiency savings.

19. The Advisory Committee believes that there is a need to proceed in an orderly manner and to put in place procedures to ensure that concrete efficiency measures achieve identifiable savings. Similarly, there is a need to refine the process of identifying potential savings in all sections of the programme budget. These will presumably accrue during the implementation of the budget, as a consequence of elimination of duplication of tasks and real gains in productivity from efficiency measures such as implementation of better work methods and technological innovations. The Committee recalls the comments it made in paragraph 5 of chapter I of its first report on the proposed programme budget for the biennium 1998-1999[2] and it intends to revert to the question of improving performance reporting at the earliest opportunity.

20. The Committee trusts that all programme managers will be given the responsibility to increase efficiency in their respective area. Such initiatives should cover not only departments and offices at Headquarters, but also regional commissions and field offices.

21. Each department or office should be requested to develop specific proposals for improvements in productivity together with a projection of potential savings. They should be required to submit such proposals as part of the budget formulation process. Programme managers should ensure that efficiency gains are quantified during budget implementation so that they can be reflected in the relevant performance reports and subsequently redeployed (see annex). The Department of Management should be responsible for ensuring compliance with the above requirements, as well as for formulating incentives for Secretariat-wide productivity measures.

Operation of the development account

22. The issue of the treatment of savings that may accrue during the biennium 1998-1999 will have to be dealt with separately from the proposal mentioned above. The Committee recalls that in his report of 11 September 1997 (A/52/303, para. 34.1), the Secretary-General estimated that the implications of his programme of reform, as dealt with in that report, amounted to a reduction of $12,702,700 in relation to the proposed programme budget for the biennium 1998-1999. The Secretary-General requested the appropriation of that amount for the development account under section 34 of the proposed programme budget for

the biennium 1998-1999, indicating that operations of the account would be submitted to the General Assembly at a later stage. In its resolution 52/220, the Assembly noted that the arrangements and procedures for utilization of the development account were to be formulated, and called upon the Secretary-General to report on the issue before the end of March 1998 (see also para. 2 above). The Assembly also decided that the amount of $362,000 saved as a result of the abolition of the High-level Board on Sustainable Development should be transferred to the development account. The Advisory Committee will submit its comments and recommendations on the operation of the development account after it receives the above-mentioned report of the Secretary-General.

Notes

[1] Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7), para. 30 (c).

[2] Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7).

[3] See A/52/7 (chap. II, Part IV), para. IV.11, and DP/1997/31, para. 36.

[4] See Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7), chap. I, paras. 13-21).

ANNEX

## Phase-in of the plan for the redeployment of efficiency savings to the development account

Autumn 1998

1. Since the programme budget for the biennium 1998-1999 is already under implementation, as a transitional measure, in September 1998, the Secretary-General should propose specific measures for 1999, which are in addition to those already contained in the programme budget for the biennium 1998-1999, together with a projection of related savings. In December, the first performance report for the biennium 1998-1999 should include information on such savings as might actually be achieved during 1998 and requests transfer to the development account.

Spring 1999 - proposed programme budget for the biennium 2000-2001

2. In accordance with current practice, the Secretary-General proceeds to prepare the programme budget proposal for the biennium 2000-2001 by costing mandated programmes within the total preliminary estimate of resources approved by the General Assembly in the budget outline. For each relevant section of the programme budget, the Secretary-General estimates both the required appropriation level for implementation of mandated programmes and a projection of the potential savings that may result from productivity gains likely to be realized.

3. In the view of the Advisory Committee, savings could be derived, as a result of productivity gains, from both implementation of support activities not directly associated with the delivery of substantive programmes and from the delivery of substantive programmes. In the development account section of the budget, the Secretary-General should recapitulate the proposal by summarizing the likely sources of funds and the total projected level of savings that could be redeployed to the development account. The Advisory Committee would review the budget submission together with the projected savings targets at its spring session and would indicate to the General Assembly what, in its opinion, would or would not be feasible. The Committee would recommend that the General Assembly note, in the appropriation resolution of the budget, the projected potential savings intended for redeployment to the development account as a result of efficiency measures. Subsequently, on the basis of its examination of the performance reports and when there is evidence that the actual savings have materialized, the Committee would make recommendations for redeployment of funds for the purposes proposed by the Secretary-General.

4. In accordance with current budgetary practice, the level of appropriation that remains in any budget section after the first performance report would provide the base for that section for the subsequent proposed programme budget. The cumulative amounts transferred to the development account for each biennium would thus form the maintenance base for an appropriation under the relevant section for the development account in subsequent bienniums.

Autumn 1999 - Second performance report for the biennium 1998-1999

5. The Secretary-General indicates results of initiatives noted and/or approved thus far and requests transfer of funds to the development account. Balances remaining in that account as at 31 December 1999 could be carried over to the programme budget for the biennium 2000-2001.

Autumn 2000 - First performance report for the biennium 2000-2001

6. The performance report on the programme budget for the biennium 2000-2001 indicates results of measures taken thus far and requests redeployment of related resources to the section for the development account.

7. Beginning with the second performance report for the biennium 2000-2001, the cycle outlined above would continue for 2002-2003.

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